[International vs. Domestic Finance]

International finance is different from domestic finance in many aspects and first and the most significant of them is foreign currency exposure. There are other aspects such as the different political, cultural, legal, economical, and taxation environment. International financial management involves a lot of currency derivatives whereas such derivatives are very less used in domestic financial management.

International vs domestic finance
Following are the major differences:

Exposure to Foreign Exchange

The most significant difference is of foreign currency exposure. Currency exposure impacts almost all the areas of an international business starting from your purchase from suppliers, selling to customers, investing in plant and machinery, fund raising etc. Wherever you need money, currency exposure will come into play and as we know it well that there is no business transaction without money

Macro Business Environment

An international business is exposed to altogether a different economic and political environment. All trade policies are different in different countries. Financial manager has to critically analyze the policies to make out the feasibility and profitability of their business propositions. One country may have business friendly policies and other may not.

Legal and Tax Environment

The other important aspect to look at is the legal and tax front of a country. Tax impacts directly to your product costs or net profits i.e. 'the bottom line' for which the whole story is written. International finance manager will look at the taxation structure to find out whether the business which is feasible in his home country is workable in the foreign country or not.

The different group of Stakeholders

It is not only the money which along matters, there are other things which carry greater importance viz. the group of suppliers, customers, lenders, shareholders etc. Why these group of people matter? It is because they carry altogether a different culture, a different set of values and most importantly the language also may be different. When you are dealing with those stakeholders, you have no clue about their likes and dislikes. A business is driven by these stakeholders and keeping them happy is all you need.

Foreign Exchange Derivatives

Since, it is inevitable to expose to the risk of foreign exchange in a multinational business. Knowledge of forwards, futures, options and swaps is invariably required. A financial manager has to be strong enough to calculate the cost impact of hedging the risk with the help of different derivative instruments while taking any financial decisions.

Different Standards of Reporting
If the business has a presence in say US and India, the books of accounts need to be maintained in US GAAP and IGAAP.

It is not surprising to know that the booking of assets has a different treatment in one country compared to other. Managing the reporting task is another big difference. The financial manager or his team needs to be familiar with accounting standards of different countries.

Capital Management
In an MNC, the financial managers have ample options of raising the capital. A number of options create more challenge with respect to the selection of the right source of capital to ensure the lowest possible cost of capital